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SUBJECT: APEC 2012, U.S. BUSINESSES, CULTURAL TIES FOCAL POINTS OF AMBASSADOR'S VISIT TO RFE

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Summary

¶1. (U) There were many highlights of Amb. Beyrle's November 16-19 trip to the Russian Far East -- a hike through leopard country, jazz concert, trip to the port of Vladivostok and a youth protest to name a few -- but if there was an underlying theme to the trip it was anticipation. The Ambassador's visit to Vladivostok and Yuzhno-Sakhalinsk displayed anticipation for the upcoming Asian Pacific Economic Cooperation (APEC) summit in Vladivostok; anticipation for new infrastructure projects including new roads and bridges; anticipation and some apprehension regarding the incoming Obama administration; and anticipation of better economic conditions and renewed growth in the Russian Far East. In all, the multifaceted trip demonstrated the resilience of the US-Russia relationship in the region and the reservoir of goodwill created by nearly a generation now of steady USG engagement. Other major themes included international cooperation, the environment, financial crisis, and cultural diplomacy. End summary.

High Hopes for the APEC Summit

¶2. (U) Discussions with various interlocutors showed a region that is beginning to see the effects of the financial crisis, but is optimistic about the APEC Summit and open to more cooperation with the United States. Primorye Kray Duma Chairman Viktor Gorchakov expressed guarded optimism about the upcoming 2012 APEC Summit to be held in Vladivostok. In an unusually candid assessment of the project, Gorchakov told the Ambassador that although he has hopes that Summit-related infrastructure improvements will have a lasting positive effect on the residents of Primorye, he acknowledged that significant reductions to the construction plans are likely. Contacts at a reception held later at the CGR, for example, confirmed that a 30-km long causeway project has already been cancelled. The list of potential projects is long, from atomic energy plants, to new hotels, casinos, and universities. Many leaders see the APEC summit as a chance to remake Vladivostok into a leading city in the Pacific region.

¶3. (U) When asked about the attitude of residents in relation to the projects, Gorchakov candidly replied "it depends on where they live." He noted that while most Vladivostok residents agree that the projects, if completed, will be beneficial to the city, rural Primorye residents feel ignored, and residents on Russkiy Island are worried that the 80,000 ruble per square foot compensation for their dwellings will be insufficient for relocating if plans to relocate a university on the island are realized. Gorchakov indicated that airport renovation designs will be ready by the beginning of next year. Some projects include a "plan B." The administration is working on an

alternative construction plan for Russkiy Island, for example, if foreign investors prove unwilling or unable to invest.

14. (U) Vladivostok Mayor Igor Pushkaryov also discussed APEC-related plans with the Ambassador, expressing hope that federal funding and foreign investment will have a lasting impact on the city. He noted that because of a lack of experienced Russian companies, the Transport Ministry is seeking foreign contractors, especially from Korea, Japan, and China. So far, US firms have not played a major role in development plans, but the city has long talked about a desire for new hotels and officials have specifically mentioned Marriott as a possibility. Marriott would join firms like Baskin and Robbins, Caterpillar, Exxon, and American fruit exporters that have already found considerable success in the Russian Far East.

Cooperation and Integration

15. (U) The Russian Far East is fertile ground for increased regional cooperation and integration, and political and business leaders expressed enthusiasm for promoting closer ties with the US. Mayor Pushkaryov requested U.S. participation in celebrating Vladivostok's 150th anniversary in 2010, and in marking next year the 35th anniversary of President Ford's visit to the city. He also expressed interest in the Ambassador's offer to assist in refreshing contacts with sister cities Juneau, Tacoma, and San Diego.

16. (U) Sakhalin Acting Governor Sergey Vilyamov expressed warm support for "the many Americans that make Sakhalin their second home," noting their importance to the continued economic growth of the area. The number of Americans living in Sakhalin has decreased from a high of about 1,000 as the oil companies transition from exploration and development to production, but there is still a strong American presence. The Ambassador had

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two give-and-take sessions with expats on Sakhalin. The Americans outlined the challenges of working in the Far East, but overall they are succeeding even in this tough economic climate and they said they were very pleased with the quality of the young workforce on the island, since most of the American managers depend heavily on local Russian staff.

17. (U) Several interlocutors mentioned the benefit of new direct seasonal flights to Alaska, and expressed hope for further flights from the Russian Far East to the US West Coast. Mayor Pushkaryov noted that many Vladivostok natives live in Seattle, and that a direct flight there would be beneficial to developing ties. VladAvia President Saybel also expressed hopes of establishing a permanent link to Seattle, though he pointed out that high fees and undesirable landing times there may hinder profitability. He also mentioned plans to increase the number of seasonal direct flights to Anchorage, though the 13 Alaska flights earlier this year proved to be less profitable than expected. The Director of Sakhalin Air Transport also expressed hopes to initiate direct flights to both destinations, but stated that the company's lack of Transportation Safety Administration certification hinders those plans. [Note: The Consulate is working with aviation officials to determine next steps. End note.]

US NAVY SHIP VISITS

18. (SBU) Duma Chairman Gorchakov expressed strong interest in resuming ship visits to Vladivostok and acknowledged the various benefits of the visits. U.S. Navy port calls to Vladivostok have become something of a tradition, especially on Victory Day in May, when the U.S. and Russia have an opportunity to pay tribute to the joint sacrifice of our two nations in defeating fascism and to highlight the successful U.S.-Russian cooperation through the Lend-Lease program that was instrumental in providing the Soviets with the guns and butter needed in the war effort. The U.S. Navy port visits are vital to the Consulate's

public diplomacy outreach since the sailors visit orphanages and veteran's homes and they host joint Consulate-Navy representational events onboard ship. Neither US Navy nor Coast Guard port visits have occurred since the Russian incursion into Georgia last summer.

Financial Crisis

¶ 9. (U) Ambassador Beyrle discussed the economic situation with local businesses, including Vladivostok Airlines, Primorye Transport Company (PTK), Vladivostok Port, FESCO Shipping, ExxonMobil, and various smaller businesses on Sakhalin. Gorchakov said that the crisis has affected Primorye's economy, especially the mining and construction industries. He used the example of DalPoliMetal, which laid off more than 2,100 workers and is stockpiling extracted ore in warehouses because production costs outweigh world prices. Construction is largely dependent on loans, which are harder to come by now that local banks have tightened lending terms. He assured the Ambassador that in general, Primorye banks are in good condition, as most banks in the region are branches of large Moscow banks.

¶ 10. (U) VladAvia's president, Vladimir Saybel, was more concerned about fuel prices than the global financial crisis, but he did say that international tourism could fall if the crisis deepens. PTK president Vitaliy Subbotin said that willing buyers for the company's American made Freightliner trucks are facing increased difficulty procuring financing. Sakhalin business leaders pointed out that more and more contractors and suppliers require payment upfront before delivery of goods or services.

¶ 11. (U) The Ambassador toured the port of Vladivostok where FESCO Managing Director Vladimir Korchanov stated that thanks to long-term shipping contracts, his company has seen very little drop in revenue or volume so far. However, as many of those contracts expire next year, he expects downward pressure on fees, and a 15 to 30 percent decrease in volume next year. Most of the loss will be a result of a decrease in automobile imports -- container traffic, he says, should remain more or less stable. The credit crunch has forced FESCO to cancel ship building contracts and curtail expansion plans.

Environment

¶ 12. (U) Ambassador Beyrle met with Yuriy Darman, the director of the World Wildlife Fund's Amur Branch at his 'Land of the Leopard' Visitor Center in Barabash, Khasan Region and discussed wildlife conservation programs in the Russian Far East. The

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center and its nature pathway are located in the heart of leopard country, and were established to educate local residents about the endangered Far Eastern leopard, whose population has dwindled to about thirty. Darman expressed confidence that the center will receive USD 100,000 of support pledged by the WWF, though he doubted the federal government will come through with its promised funding.

¶ 13. (U) Mayor Pushkaryov mentioned several plans to improve his city's dire ecological situation, including the construction of Vladivostok's first water treatment and sewage processing plant. The city also has plans to construct a solid waste processing facility and co-generation plant which, Pushkaryov said, will use American equipment that has already been delivered to Vladivostok.

Cultural Events

¶ 14. (U) Ambassador Beyrle participated in a number of public affairs outreach events that attracted significant participation and showed that Russians in the RFE are enthusiastic and open to increased cultural exchange. During his visit to the

PAS-supported exhibit "Eleanor Pray: [American] Letters from Vladivostok, 1894-1930", the exhibit organizer noted that the project highlights close Russian-American ties dating back over one hundred years, and thanked the Mission for its support of a number of other projects that highlight common history and shared values.

¶115. (U) The Ambassador attended a PAS-funded performance by jazz drummer Alvin Atkinson. Russian jazz musicians who performed at the three-day festival met with American counterparts and expressed their gratitude to the Ambassador for the opportunity to meet American musicians face to face.

¶116. (U) The Ambassador's lecture at the Vladivostok University of Economics and Service's International Education Week was followed by a lively Q&A where students touched a range of topics, including exchange opportunities, the Russian-American relationship, and foreign policy issues. University President Gennady Lazarev -- also a Deputy of the Primorye Legislative Committee -- expressed his strong desire and readiness to continue educational and sports diplomacy exchanges. The Ambassador attended a performance of an American musical performed by students of the Vladivostok Fine Arts Academy which was staged by an American choreographer and costume designer. The performance was part of a Department-funded "Cultural Envoy" program, and made a great impact on the Russian faculty and students involved.

Media

¶117. (U) The Ambassador's visit attracted significant -- and positive -- press coverage in about forty print, online, and broadcast outlets. PAS arranged a twenty-minute interview on the Kray-owned TV station and a front page interview with the main Vladivostok daily. The regional affiliate of the Rossiya TV channel reported on the Ambassador's presentation at the International Education Week and various Sakhalin media attended the Ambassador's lecture at Sakhalin State University. His interview with an independent Sakhalin TV station was broadcast several times.

¶118. (U) Many of the issues the Ambassador raised during the visit can be advanced at this summer's Russian-American Pacific Partnership (RAPP) meeting. The RAPP meeting will likely be held on Sakhalin and it is an excellent venue for promoting American business, reducing bureaucracy, and finding ways for the U.S. and Russia to come closer to realizing the vast potential that exists in this region. The Consulate appreciates the Ambassador taking on some 25 events in just a few days and expects that the visit will continue to pay dividends as we work on the issues raised in this trip.

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